



Last Resort Planning Power: 2011

The AEMC has decided not to exercise the Last Resort Planning Power (LRPP) in 2011. The AEMC has also published a report sets out the matters it has considered in making this decision.

The NEM planning process

Currently, the planning of transmission networks in the National Electricity Market (NEM) is a process involving the jurisdictional planning bodies (JPBs) and the Australian Energy Market Operator (AEMO).

Each year, AEMO develops the National Transmission Network Development Plan (NTNDP). This document outlines a set of high level network developments which are likely to have a beneficial market impact. This includes projects related to flows of power between NEM regions.

JPBs develop annual planning reports (APRs) examining potential network developments in their own region. The APRs consider the recommendations made by AEMO in the NTNDP.

Before a network development can be undertaken, the JPB or Transmission Network Service Provider (TNSP) must apply the Regulatory Investment Test for Transmission (RIT-T). This is an economic test designed to identify the network development that provides the greatest benefit to the market.

The LRPP is a part of this overall planning framework. The AEMC is responsible for administering the LRPP and must report annually on whether it has decided to do so.

What is the LRPP

The LRPP is an oversight mechanism, designed to ensure that enough investment occurs in those parts of the transmission network related to the flow of electricity between NEM regions.

The LRPP allows the AEMC to direct participants to apply the RIT-T to specific projects, where it considers that the project would improve flows between regions and where the ordinary planning processes have clearly failed to deliver efficient outcomes.

Importantly, the LRPP is intended to be rarely exercised. The AEMC must satisfy a number of strict criteria before it can exercise the power.

The AEMC is required to report annually on the matters that it has considered in deciding whether or not there is a need for it to exercise the LRPP. The publication of this report represents the fulfilment of this requirement.

The AEMC's decision for 2011

The AEMC has decided not to exercise the LRPP in 2011.

In making this decision, the AEMC's considered how JPBs responded to the network development recommendations made by AEMO.

The JPBs have actively responded to all of AEMO's recommendations for network development between regions.

Accordingly, there is no need for the exercise of the LRPP in 2011.

To do this, the AEMC considered AEMO's National Transmission Statement (NTS) and the NTNDP. The various APRs and joint planning processes were compared to these documents.

AEMO identified one network development, between Queensland and New South Wales, which warranted early attention. A number of other potential augmentations were also identified, including developments between New South Wales and Victoria, and Victoria and South Australia.

The various JPBs have actively responded to the developments identified by AEMO. This includes the announcement by the relevant JPBs of a RIT-T application for network development between Queensland and New South Wales. The JPBs for South Australia, Victoria and New South Wales are also developing projects related to interconnection of their regions.

Having considered these factors, the AEMC is satisfied that all JPBs are actively responding to AEMO's recommendations for network development between regions. Accordingly, there is no need for the exercise of the LRPP in 2011.

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